



**TECHNOLOGY SERVICES BOARD
DEPARTMENT OF TECHNOLOGY SERVICES**

PUBLIC MEETING MINUTES

June 25, 2008

The Technology Services Board (TSB) met in open session, pursuant to the provisions of the Bagley-Keene Open Meeting Act, at approximately 1:30 p.m., in the Byron Sher Auditorium at the California Environmental Protection Agency building, located at 1001 I Street, Sacramento, California 95814.

1. Call to Order

Chairperson Teri Takai called the meeting to order at 1:30 p.m.

Roll call was completed:

1. Teri Takai, State Chief Information Officer (present)
 2. Michael Genest, Director, Department of Finance
(Designee Fred Klass – present)
 3. John Chiang, State Controller
(Designee Jim Lombard – present)
 4. A. G. Kawamura, Secretary, Department of Food and Agriculture
(Designee Davood Ghods – present)
 5. Dale Bonner, Business, Transportation and Housing Agency
(Designee Michael Liang – present)
 6. Linda Adams, Secretary, California Environmental Protection Agency
(Designee Eric Jarvis – present)
 7. Kim Belshé, Secretary, California Health and Human Services Agency
(Designee Carlos Ramos – present)
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8. Victoria Bradshaw, Secretary, Labor and Workforce Development Agency
(Designee Marisa Duek – present)
9. Mike Chrisman, Secretary, Resources Agency
(Designee Patrick Kemp – absent)
10. Rosario Marin, Secretary, State and Consumer Services Agency
(Andrew Armani – present)
11. Thomas Johnson, Secretary, Department of Veterans Affairs
(Designee Jack Kirwan – present)
12. Matthew L. Cate, Secretary, California Department of Corrections and Rehabilitation (Designee Brett H. Morgan – present)
13. Henry Renteria, Director, Office of Emergency Services
(Designee Frank McCarton – absent)

2. Approve January 23, 2008 Meeting Minutes – Action Item

There was a motion to adopt the January 23, 2008 TSB meeting minutes as presented, the motion was seconded, and it was unanimously approved.

3. Chairperson's Report

A. State IT Update – Information Item

Chairperson Takai presented the following update:

- The Little Hoover Commission is assessing the use of technology in California and their focus is the level of successful technology projects. Chairperson Takai stressed the importance of focusing on and overcoming the perception that we are not able to successfully implement large technology projects. Chairperson Takai indicated that the number of successful projects over the



last four years is very impressive, and emphasized the need to ensure that message is sent forth.

- Chairperson Takai reported that a forum on geographic information systems (GIS) was held last week where a number of California agencies and departments demonstrated impressive GIS applications. Chairperson Takai reiterated the importance of continuing progress and promoting our successes.
- Chairperson Takai mentioned the IT inventory recently conducted by state agencies and departments. The results of the inventory are being compiled for a baseline of what is currently available, and where monies are being spent. Instructions for a five-year IT strategic capital plan will be issued. In that planning, the Office of the Chief Information Officer (OCIO) will be asking for future expenditures, equipment renewals and equipment modernization plans. The OCIO will also ask that IT expenditures be tied to specific business objectives and that agencies take a stronger coordinating role in working with their departments to look for opportunities for synergy.
- Chairperson Takai reported that there is a strong focus from the OCIO to strengthen project management skills in order to manage large projects. The OCIO will facilitate and establish an enterprise project management office to track and manage major projects. Chairperson Takai noted that this effort is imperative in order to continue improving communication with the Legislature.

At this time, the Legislature is reviewing projects on an individual basis, often with different terminology and project tracking inquiries. Therefore, we need to be more proactive in our communication with the Legislature.



- Another area of focus for the OCIO is workforce planning. Chairperson Takai mentioned that not only do we need to replace skill sets, but also need to identify skills tied to aging technologies.
- Chairperson Takai encouraged reviewing the May 15, 2008 Supplemental Report to the Legislature. Chairperson Takai indicated that the report is the first step towards some changes including adding IT direction letters as a means of distributing IT policy.
- Chairperson Takai reported that Governor Arnold Schwarzenegger has requested that a GIS taskforce be developed to review how GIS and data are balanced across state entities and local government. Christy Quinlan will be heading the taskforce. Recommendations of how we need to move forward will be available by mid-August. Chairperson Takai added that TSB members would be involved contributors in this area.
- Chairperson Takai introduced the Office of Information Security and Privacy Protection, Executive Officer, Mark Weatherford.



B. TSB Committee/Organization Structure – Discussion Item

The Department of Technology Services (DTS) Director P. K. Agarwal discussed the current structure of the TSB and various committees. Last year, TSB instituted two committees; the Audit Committee whose sole function is to oversee the audit process; the Services Committee, whose function is to look at new services or significant changes to existing services including rates. DTS Director Agarwal explained that a fully functioning OCIO was not in place when the Services Committee was formed. The Services Committee was reviewing areas that were principally in the enterprise strategy areas, such as the long-term strategy for state networks, and email consolidation. Since then, those functions have been rightfully moved to the OCIO. Chairperson Takai indicated that the Audit Committee will continue to exist, but recommended that the Services Committee meet as needed. The results of work that is being done on network and email will be presented to TSB with the day-to-day work guided by the OCIO.

4. Audit Committee Report

A. Draft Financial Audit Report – Action Item

Ms. Matsuura introduced Rick Green, Certified Public Accountant and Partner of Macias Gini & O'Connell. Mr. Green thanked the TSB members for the opportunity to address the Board, and DTS staff for their assistance and hospitality during the course of the audit. Mr. Green indicated that Macias Gini & O'Connell has been engaged in conducting a formal audit of DTS for the 2006/2007 fiscal year. Mr. Green presented the Financial Statements and the Report to Management, and explained the difference between the roles and responsibilities of the independent auditor versus management. Macias Gini & O'Connell is responsible for planning the audit in order to obtain reasonable assurance that the financial statements are free of material error and presented in accordance with accounting principles.



Management is responsible for the preparation of the financial statements that Macias Gini & O'Connell audit and for establishing a system of internal control over financial reporting and to ensure compliance with laws, regulations, and significant provisions of contract agreements. Mr. Green reported that Macias Gini & O'Connell has fulfilled its responsibility, and obtained sufficient audit evidence to render an unqualified opinion on the June 30, 2007 financial statements, and did not identify or note any significant deficiencies or material weaknesses in internal controls.

Mr. Green addressed a prior-year comment regarding the aging of accounts receivables. Although there has been some improvement, there is indication of some slow paying accounts. Mr. Green recommended shortening the collection time from a 60 to 30-day period, in order to improve the situation.

Carlos Ramos questioned the reason for the age of accounts receivable. Melissa Matsuura of DTS explained that slow payment from departments is due to a variety of issues. In some cases, a department may be waiting for federal reimbursement before payment is made; some departments are having their own internal cash flow issues. Ms. Matsuura noted that the outstanding accounts receivables listed on the report are as of June 30, 2007. Most of that amount has been paid; approximately \$1 million is still outstanding.

Fred Klass inquired how often collection notices are distributed. Ms. Matsuura indicated that the letters are generated after the receivable is 90 days overdue. Mr. Klass noted that some departments have direct transfer procedures, whereby the State Controller automatically withdraws funds from a department's budget. Mr. Klass addressed the possibility of DTS establishing a direct transfer program in an effort to remedy chronic late payments. Ms. Matsuura explained that DTS currently has a direct transfer program in place that transfers about \$3,000,000 monthly; however, participation is voluntary, not required. Mr. Klass suggested that members discuss the possibility of implementing mandatory direct transfer at the



next Board meeting. Mr. Ramos noted that DTS should examine whether there would be any federal issues with automatically withdrawing customer funds prior to federal approval.

Marisa Duek commented that departments may be confused in determining whether payment was made or not. Mr. Klass reiterated the need for DTS to prepare a plan of action and present to the Board for discussion at the next meeting.

Mr. Klass requested a status of the disaster recovery plan. DTS Director Agarwal indicated that it is being reviewed from a slightly different perspective and will be presented at the next Board meeting.

Chairperson Takai asked for a motion to adopt the audit report, the motion was seconded, and it was unanimously approved.

5. Director's Report

A. Status of Benchmarking – Information Item

DTS Director Agarwal reminded the Board that over the past year, DTS has reduced rates by over \$43 million; however, network rates increased about 10 percent. As a result of the difficulties rate increases cause some departments, the Board directed DTS to benchmark network, storage, and server rates. DTS Director Agarwal pointed out that although these services may be viewed as commodities, everyone packages their services differently. Subsequently, DTS developed a Request for Proposal and retained a consulting firm to perform the benchmarking study. The DTS has reviewed the proposed benchmarking methodology along with the Department of Finance and the TSB Services Subcommittee.



Ms. Matsuura introduced Zahid Masood and Dean Oyama of Western Telecommunication Consulting, Inc. from Los Angeles. Mr. Oyama presented their six-step process for benchmarking of:

1. Form the Team
2. Define Engagement Issues and Rules
3. Prepare Line of Business Analysis
4. Identify Unit Costs
5. Benchmark Comparable Rates
6. Create Preliminary Rates

Of the six-step process, Mr. Oyama reported that steps one and two are complete, other steps partially complete, and the estimated completion date is September 30, 2008.

Mr. Ramos suggested considering local government as another rate comparison participant. Mr. Ramos noted that participants in the study are primarily large departments; however, the last time this area was discussed, the smaller departments had concerns. Mr. Ramos recommended including mid-size and/or smaller departments in the comparison process.

Chairperson Takai recommended forming a smaller workgroup to examine methodologies, and track and report on the progress of the rate benchmarking study. Chairperson Takai offered to chair the workgroup, and representatives from the California Department of Food and Agriculture, the State Controller, the Office of Systems Integration, and the California Department of Veterans Affairs volunteered to participate.



6. Miscellaneous Non-Discussion Items

There were no non-discussion items.

7. New Agenda Items

There were no new agenda items.

8. Public Comment

There was no public comment given.

9. Meeting Adjournment

The meeting was adjourned at approximately 3:30 p.m.